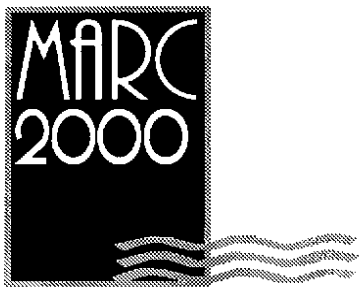

Testimony of Christopher J. Brescia
President, Midwest Area River Coalition 2000 (MARC 2000)
Before the
House Committee on Transportation and Infrastructure
Subcommittee on Water Resources and Environment
June 24, 2004

Chairman Duncan, Ranking Member Costello, Members of the Subcommittee, thank you for your invitation to appear before you today. My name is Christopher Brescia. I am president of the Midwest Area River Coalition 2000 (MARC 2000), a regional coalition of interests that include every facet of the economic structure in the Midwest, including agricultural, industrial, labor and transportation industries. Our membership spans the length of the Mississippi, Illinois, and Missouri Rivers in an effort to promote lock modernization in an environmentally responsible fashion. I am pleased to be here today to review the Draft Recommendations of the Corps of Engineers Upper Mississippi and Illinois River Navigation Study.

MARC 2000 has been involved in this evaluation since inception of the feasibility phase in 1993. We have participated in providing input, guidance and criticism over the last 11 years to a process that extended beyond necessity and could be a poster child for how future studies should not be structured if we are to have reasonable assessments in a timely fashion. Any proposals that have been suggested that would lengthy the study process should be rejected as counterproductive to the interests of this nation. It is also important to dispel any notion that the Upper Miss study process has been anything but open and transparent.

There are a few points I would like to highlight today:

First, because this is the first system study initiated and now brought to conclusion, the recommendations for navigation improvements far exceed any project-specific study conducted in the past. This is a logical outcome and one that deserves recognition as such. MARC 2000 supports the recommendation to build twelve 1200-foot capacity locks on the Upper Mississippi and Illinois Rivers, starting with seven new 1200-foot locks as prescribed by the Corps plan.

Second, this study changed course in 2001 to exceed its original mandate to evaluate future navigation infrastructure needs in the Upper Mississippi River Basin and incorporated a system review of ecosystem needs as well. We believe that a case has been made for initial ecosystem restoration with $1.46 billion funding with an opportunity to return for the balance following a re-evaluation report.

Third, the draft recommended plan expands on existing authorities in a fashion that warrant careful implementation. Ecosystem restoration within prescribed adaptive criteria that don't

adversely affect the market needs for the availability of a consistent and predictable inland waterway transportation system are key to success for achieving national benefits from this federal investment.

Finally, funding implementation of both navigation improvements and ecosystem restoration need to have the flexibility to proceed at their own pace in order to maximize a return on federal investments in two very different kinds of activities.

System Study Approach & Recommendations

Since the inception of this feasibility study, it was clear that this analysis would take more time than a typical project-specific study. Making sure than an investment in one lock project made sense within the context of the entire Upper Mississippi and Illinois Rivers would require a six-year effort, we were told. After close to twelve years, I'm sure there are recommendations that should be evaluated for shortening the time frame. In the meantime, our obvious macro national competitiveness needs have been obscured by arguments over micro analytical tools.

MARC 2000 fully supports the long-term recommendation to provide twelve 1200-foot lock capacity chambers on the Upper Mississippi and Illinois Rivers. We also support phasing in this approach with an immediate construction authorization of seven new 1200-foot locks at Upper Miss Locks and Dams 20, 21, 22, 24 and 25 and Illinois River locations at Peoria and Lagrange. Immediate implementation of mooring facilities and switchboats to assist congestion areas are a logical approach.

The Corps of Engineers recommendation for a 50-year $2.4 Billion program, if divided into separate projects would yield an average investment of just over $200 million per project – well in line with other projects around the country. Early on, the study identified the need to modernize 5 locks as a group on the Upper Miss and two on the Illinois. This realization confirmed industry experience with congestion and freight movements on the river system.

It is clear that improving the capacity of the locking structures on the Upper Miss and Illinois Rivers will not inordinately adversely affect the environment of the river. It will provide improved regional and national benefits in the form of less fuel consumed for moving the products similar distances via other modes, fewer pollutants into the air, much fewer accidents, less highway and rail congestion and especially less loss of life.

Mr. Chairman, the condition of the infrastructure in the Upper Mississippi Basin is endemic of the crisis we face as a nation. According to a recent report issued by the National Ports and Waterways, entitled "Domestic Water Transport Comparative Review," our country is experiencing what Western Europe faced post World War II when they were faced with the need to modernize their 18th and 19th century infrastructure.

The report's author, Dr. Anatoly Hochstein, identifies the fact that environmental benefits largely double the benefits to society and are the driving force behind increased reliance on the waterways to reduce truck and rail congestion. Our own U.S. Department of Transportation cautions that freight congestion on the roads and rails in the U.S. will double in the next 25

Midwest Area River Coalition 2000, 906 Olive, Ste. 1010, St. Louis, MO, Tel: 314-436-7303
www.marc2000.org

years. This proposal for lock modernization in the Midwest could not come at a better time for the benefit of the nation and is truly a win-win proposal.

Building new locks will also provide a significant benefit to the nation and region in terms of job creation. Over 3,000 jobs per year will be created during the construction period estimated at 15 years initially and likely over 30 years for the entire navigation program. This direct stimulus to the region is the tip of the iceberg. As many on this committee are aware, income produced from construction projects replicates itself in the region exponentially. Such a significant level of investment would translate into a considerable ripple effect for the Midwest. Our labor coalition members and economic development groups roundly support this initiative because of this fact and that improved transportation efficiencies produce even more jobs in the basin.

Independent economic studies have documented that traffic moving on the Upper Miss River system supports over 400,000 full and part-time positions. Modernizing the infrastructure has a dual effect supporting this jobs base and growing this jobs base at a time when our economy needs it.

This investment in infrastructure is also critical for our nation's global competitiveness. First it sends a clear signal to our competitors that we are serious about continue to compete in grain export markets. Second, it will help secure the productivity and profitability of our farm communities in the Midwest. Finally, it will put our transportation system investments in sync with our international trade, foreign and farm policies – all focused on opening markets for our products.

MARC 2000's coalition members support this win-win approach to a federal investment that historically has returned $6 for every $1 invested and should continue to do so by providing real ongoing competition between modes to keep transportation costs competitive in a global market.

Restructured Study & Ecosystem Recommendations

In 2001, the Corps of Engineers proposed restructuring the navigation study into a more comprehensive review of both navigation and ecosystem needs. MARC 2000 not only supported this approach but willingly agreed to participate as a full partner in this collaborative process with other federal and state agencies and private nongovernmental groups.

The Corps long-term recommendation for ecosystem restoration does give us pause. We do not honestly know whether the recommendations, a compilation of known types of projects that have been effective locally, will produce the system wide results suggested. However, we do have confidence in the need to proceed with ecosystem restoration for the following reasons.

First, when the lock and dam system was put in place, the principal reason was to facilitate a competitive transportation system in the Midwest – a third coast if you will. The system obviously has been a huge success in promoting commercial movements of goods, saving the nation an estimated $1.5 billion in direct and indirect savings per year. At that time, the lock and dam system provide a wealth of documented environmental benefits as well. Just as we have

Midwest Area River Coalition 2000, 906 Olive, Ste. 1010, St. Louis, MO, Tel: 314-436-7303
www.marc2000.org

seen the economic values decline due to age and capacity limitations, we have documented a decline in habitat diversity. It's time to provide a means by which that decline can be redressed.

Second, industry's experience in working with the Environmental Management Program, especially in water-level drawdown programs provided an understanding of the need to proceed carefully with stimuli to the ecosystem. Working collaboratively, industry, federal and state biologists have produced tangible benefits to the ecosystem while maintaining both commercial and recreational benefits. Many, if not all of the projects envisioned in the recommended plan build on this type of approach.

Finally, we do believe that the ecosystem projects envisioned can be implemented without adversely affecting the growth of navigation on the Upper Mississippi and Illinois Rivers. While that premise has been understood during the collaborative process – and those proposals adversely affecting growth have been rejected—Congress must expressly indicate this premise in order to make sure that adaptive management concepts, which are necessary to proceed cautiously and responsibly, don't create unknown conditions hampering long-term market assurance that the navigation system will be consistently available and reliable.

For these reasons, MARC 2000 supports the framework recommended in the Corps of Engineers recommendation and the first phase (15-year proposal) to launch a new ecosystem restoration program for the Upper Mississippi Basin. Through a logical and structured adaptive management approach, we can begin implementing those proposals the basin believes to be the most critical to redressing ecosystem decline and provide Congress with further documentation to proceed with higher levels of investment in future years.

Scheduling

The inland navigation system is different from trucking, rail or air freight services. These differences were evaluated by the study team and independent consultants found no credible option that was consistent with water resource policy and that did not impose additional cost. The industry currently adjusts traffic movements to account for delays at locks and other river system factors through use of the existing OMNI tracking system. An "N"up and "N"down lock schedule has been in place for years and during extreme conditions, industry self-help kicks in to facilitate major delays.

To date no scheduling scheme on the inland waterway system has been shown to work and industry is unconvinced one is workable. Increasing efficiency of existing traffic through a new mechanism that does not impose additional cost on the transportation carriers or the system and can function within the flexible market structure is the only means by which industry could participate.

Model Development

MARC 2000 has participated in virtually all discussions regarding the use of analytical tools in this study process. We were told early on in the study that a new model would provide a better analysis than the proven model used in past studies. ESSENCE, which has now been discredited

Midwest Area River Coalition 2000, 906 Olive, Ste. 1010, St. Louis, MO, Tel: 314-436-7303
www.marc2000.org

by every entity that has viewed it, did not provide that new approach, in fact the use of ESSENCE in the first phase of this study only contributed to mass confusion. Our experience in this study confirmed that new models need to be developed in the research phase, tested and validated before being used in an active feasibility report. This study lost 3 important years due to this oversight.

Due to the extreme market and national competitive implications of not completing this study in a timely fashion, MARC 2000 supported the completion of this study with the well-established Tow Cost Model and understood the use of ESSENCE to sensitivity analysis for alternative elasticity assumptions, fully well aware of the deficiencies in the model. Fortunately, the scenario-based approach allowed for a clear understanding of the risks associated with not pursuing large-scale investments vs. those if we do pursue investments. Based on all published research on demand elasticity for barge freight on the Upper Mississippi Basin, complementary prognoses on overall freight demand on other modes and existing capacity limitations, the decision to make investments are clearly justified.

MARC 2000 supports the need to develop a more comprehensive model, while making the first round of investments in both our navigation infrastructure system and ecosystem restoration. However, we don't believe that any model will ever be developed that can replicate and consider all market variables affecting traffic movements on the Upper Mississippi or any other inland waterway system. Eventually, common sense and a vision for the future must guide the direction of our nation's investments. Either we join the rest of the world in recognizing the economic and environmental benefits of moving freight onto the river system or we consign regions of our country to increased degradation of land and air resources.

Funding Implementation

This system solution to navigation and ecosystem needs will likely be funded through different sources. On the navigation side, the Inland Waterway Trust Fund will provide for half the funding needs of new lock construction. Since 1980 over 40% of the funds collected by a $.20 tax on diesel fuel have come from traffic originating or terminating in the Upper Mississippi River study area. Trust Fund documents demonstrate that only about 15% have returned to the region. Access to these funds only for the purposes which they were intended is necessary for full efficient funding of lock construction over the next 15 years. It is important that such a funding stream be available for the nation to benefit from this timely investment.

There is no single cost-share funding mechanism set up for ecosystem restoration projects requiring cost-share partners. The majority of the programs recommended in the first 15 years are suggested at full federal cost. The remainder is subject to a 65/35 cost-share formula that will undoubtedly need a mechanism for implementation.

MARC 2000 believes that in order for these two important functions to move as rapidly as they can, that funding for both be left separate to avoid any confusion. It is also important that no arbitrary restrictions be put in place on either side that will impede full efficient funding.

Midwest Area River Coalition 2000, 906 Olive, Ste. 1010, St. Louis, MO, Tel: 314-436-7303
www.marc2000.org

Authorized Purposes

The recommended plan calls for permitting the Corps of Engineers, in concert with other federal, state agencies and private groups, to maintain and operate the river for both navigation and ecosystem restoration. This plan is premised on a logical acknowledgement that the left hand needs to know what the right hand is doing for two key reasons. First, management understanding of the needs of both functions is important for choosing an appropriate course of action. Secondly, that understanding will allow for considering operations and construction functions that can serve both purposes, when possible.

MARC 2000 does support addressing both navigation and ecosystem needs within the operations of the river and under an ecosystem construction program, in a fashion that does not adversely affect navigation growth. MARC 2000 does not, at this time, support broad "integration" of operation and maintenance, nor blanket "dual purpose" authorization. These descriptions, without clear implementation criteria are too vague. Currently, the Operations and Maintenance account for the Upper Mississippi System is experiencing over $100 million critical backlog. Any attempt to add pressure to this account by broadening its use should be resisted.

Our members do support providing the Corps of Engineers with authority to pursue alterations in the operation and maintenance of the navigation system that provide increased ecosystem benefits without adversely affecting the reliability, availability and cost of operations. We also support creation of a more comprehensive ecosystem restoration authority that allows the Corps of Engineers, along with others in the basin, to take bold steps to rebuild islands that have disappeared, protect backwaters, clear backwaters and conduct many other types of initiatives listed in the Corps recommended plan.

Conclusion

The members of the MARC 2000 coalition include leadership groups among agricultural commodity groups, industry transportation groups, utilities, labor groups and many other industrial users of products that move on the river system.

We agree with an overwhelming number of citizens of our basin who took the time to attend public hearings over the last two weeks and some over the last 12 years. Those speaking at these hearings urged quick completion of this study, strong and definitive action by Congress in this session and quick approval by the President for a modernization program in the Midwest that provides for state-of-the-art 1200 foot locks and ecosystem modernization.

This program is about jobs for the nation, quality life for its citizens and preservation of our heritage on the Mississippi and Illinois Rivers. Thank you for your consideration. I would be pleased to answer any questions.

Midwest Area River Coalition 2000, 906 Olive, Ste. 1010, St. Louis, MO, Tel: 314-436-7303
www.marc2000.org